

## Message Text

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PAGE 01 STATE 232676  
ORIGIN EB-08

INFO OCT-01 NEA-10 IO-13 ISO-00 IGA-02 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15  
STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02  
FEAE-00 OMB-01 AF-10 ARA-10 EA-10 EUR-12 OIC-02  
/144 R

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R 272301Z SEP 77  
FM SECSTATE WASHDC  
TO USMISSION GENEVA  
INFO AMEMBASSY NEW DELHI

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FOR USMTN

E.O. 11652: N/A

TAGS: ETRD

SUBJECT:LDC FEARS OF EROSION OF PREFERENCES IN MTN

REF: GENEVA 8045

1. AS PACE OF MTN QUICKENED IN LAST FEW MONTHS, WE HAVE  
DISCERNED SOME SIGNS OF LDC FLEXIBILITY FROM RIGID MANILA  
POSITIONS OPPOSING EROSION OF GSP MARGINS AND OF GROWING  
LDC AWARENESS OF IMPORTANCE OF DEEP MFN CUTS. WE ARE  
CONCERNED, CONSEQUENTLY, AT KUMAR'S INSISTENT OPPOSITION TO  
MFN CUTS AS ERODING PREFERENCES. WASHINGTON OFFICIALS  
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PAGE 02 STATE 232676

HAVE BEEN USING EVERY APPROPRIATE OPPORTUNITY TO MAKE POINTS  
OUTLINED BELOW TO LDC REPS. IF MTN DEL NOT ALREADY DOING  
SO, DELEGATION REQUESTED TO DO LIKEWISE TO KUMAR AND OTHER  
LDC REPS IN GENEVA.

2. AS WE HAVE REPEATEDLY EMPHASIZED, WE BELIEVE THAT IN THE  
LONG RUN THE GREATEST HOPE FOR PROMOTING ECONOMIC DEVELOP-

MENT THROUGH THE EXPANSION OF LDC TRADE OPPORTUNITIES IS THROUGH PROGRESSIVE LIBERALIZATION OF WORLD TRADE. INVESTORS TEND TO BE INTERESTED NOT ONLY IN CURRENT RATES BUT ALSO FUTURE SECURITY (I.E. BOUND MFN RATES). WE, THEREFORE, BELIEVE IT IS COUNTERPRODUCTIVE FOR DEVELOPING COUNTRIES TO

INSIST ON THE MAINTENANCE OF MARGINS OF PREFERENCE OR OF BOUND PREFERENTIAL DUTIES. AS NOTED BY WASHINGTON TEAM TO SHUKLA DURING MTN CONSULTATIONS IN NEW DELHI, WE BELIEVE REALISTIC PRODUCT-BY-PRODUCT REVIEW OF INDIA'S (OR OTHER LDC) INTERESTS IN GSP VS. MFN CUTS WILL SHOW RELATIVELY FEW ITEMS THAT WOULD BE HURT BY MFN CUTS. INDIA'S (OR OTHER LDC) INTEREST IN MAINTAINING MARGINS ON THESE PRODUCTS SHOULD BE ASSESSED IN THE LIGHT OF ITS BROADER INTERESTS IN THE GSP PROGRAM ON A WHOLE.

3. THE DEVELOPING COUNTRIES MUST BE AWARE THAT PREFERENCES ARE DOMESTICALLY SENSITIVE IN SOME DEGREE IN ALL PREFERENCE-GRANTING COUNTRIES. IN THE UNITED STATES THERE ARE CONSTANT PRESSURES FROM THE PRIVATE SECTOR AND THROUGH ELECTED REPRESENTATIVES TO LIMIT OR REDUCE PRODUCT COVERAGE OF THE GSP. ON THE OTHER HAND, THOSE ELEMENTS IN CONGRESS AND IN THE AMERICAN PUBLIC THAT SUPPORT THE GSP AS A STEP TOWARD A MORE OPEN INTERNATIONAL TRADING SYSTEM WOULD TURN AGAINST IF IT BECAME AN OBSTACLE AGAINST FURTHER LIBERALIZATION.

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PAGE 03 STATE 232676

4. CONSEQUENTLY, IN CONSIDERING PRODUCTS PROPOSED BY INDIA AND OTHER DEVELOPING COUNTRIES FOR ADDITION TO THE ELIGIBILITY LIST WE MUST CONTINUALLY BE CONCERNED WITH THE IMPACT OF GSP ON TRADE LIBERALIZATION IN GENERAL. IF IT BECAME CLEAR THAT IMPORTANT LDC'S SUCH AS INDIA INSIST THAT GSP BECOME A NON-LIBERALIZING ELEMENT IN THE OVERALL TRADE PICTURE, IT WILL BECOME INCREASINGLY DIFFICULT FOR THE US TO SUPPORT EXPANSION AND EXTENSION OF SUCH A PROGRAM. FURTHERMORE, IF THIS INSISTENCE ON MAINTENANCE OF MARGINS CONTINUES AS A COLLECTIVE LDC POSITION THROUGHOUT THE MTN, GSP AS A WHOLE MAY BE ENDANGERED, PARTICULARLY SUPPORT FOR ITS RENEWAL AFTER EXPIRATION IN 1985.

5. FYI - A GSP PRODUCT REVIEW WILL BEGIN OCTOBER 3 AS (THE DEADLINE FOR RECEIVING PETITIONS AND PUBLIC HEARINGS ON THESE PETITIONS WILL BEGIN ON NOVEMBER 7. END FYI.

6. ONE ARGUMENT WHICH PROVED EFFECTIVE IN CONVERSATIONS IN NEW DELHI WAS THAT REQUESTS FOR MAINTENANCE OF MARGINS

VIA EXCEPTIONS FROM MFN CUTS COULD BECOME DIVISIVE  
ISSUE WITHIN G-77, SINCE LDC'S SUBJECT, OR ALMOST  
SUBJECT TO COMPETITIVE NEED LIMITS WOULD BE DISADVANTAGED  
BY SUCH EXCEPTIONS. VANCE

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**Channel Indicators:** n/a  
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**Concepts:** LESS DEVELOPED COUNTRIES, FOREIGN POLICY POSITION, NEGOTIATIONS, TRADE CONTROLS, TARIFFS  
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**TAGS:** ETRD, IN, RP  
**To:** GENEVA  
**Type:** TE  
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